

## **Setting the Stage:**

- 1. Focus on Order of Magnitude**
- 2. Divergent and Partial Data Sources**
- 3. Quick Turn-Around**
- 4. Reasonableness of Inputs**
- 5. Easy to Modify**

# Washington State Office of the Insurance Commissioner

## Analysis of Uncompensated Care and Cost Shift

### DRAFT Results for Task Force Retreat -- Baseline Costs and Sources of Uncompensated Care

Baseline Estimates of Uncompensated Care						
		Members	PMPM Discounted Allowed Charges	Total Annual Health Care Costs (pmpm discounted allowed * members * 12)	% Direct/Explicit Payment	Direct/Explicit Payments
Commercial/Other	63%	3,814,898	\$237	\$10,845,211,440	100%	\$10,845,211,440
Medicaid and BHP	14%	842,777	\$284	\$2,872,184,016	100%	\$2,872,184,016
Medicare	12%	736,000	\$395	\$3,488,640,000	100%	\$3,488,640,000
Uninsured	11%	648,180	\$117	\$910,044,720	65%	\$591,529,068
<b>Totals</b>		6,041,855	\$250	\$18,116,080,176		\$17,797,564,524

Estimated amount of uncompensated care for uninsured...

\$318,515,652

As a percent of Direct/Explicit Payments...

1.8%

Approximate Distribution of Where Uncompensated Care Happens			
Hospitals	66%	\$210,220,330	
Clinics	20%	\$63,703,130	
Physicians	14%	\$44,592,191	
<b>Total</b>	<b>100%</b>	<b>\$318,515,652</b>	

Sources: OIC, MEPS, Hadley and Holahan, CHARS for reasonableness of hospital portion

Washington State Office of the Insurance Commissioner  
 Analysis of Uncompensated Care and Cost Shift  
 DRAFT Results for Task Force Retreat -- Uncompensated Care Costs -- Sources of Financing

Baseline Estimates of Uncompensated Care					
	Members	PMPM Discounted Allowed Charges	Total Annual Health Care Costs (pmpm discounted allowed * members * 12)	% Direct/Explicit Payment	Direct/Explicit Payments
Commercial/Other	3,814,898	\$237	\$10,845,211,440	100%	\$10,845,211,440
Medicaid and BHP	842,777	\$284	\$2,872,184,016	100%	\$2,872,184,016
Medicare	736,000	\$395	\$3,488,640,000	100%	\$3,488,640,000
Uninsured	648,180	\$117	\$910,044,720	65%	\$591,529,068
<b>Totals</b>	6,041,855	\$250	\$18,116,080,176		\$17,797,564,524

Estimated amount of uncompensated care for uninsured... \$318,515,652  
 As a percent of Direct/Explicit Payments... 1.8%

As a percent of Commercial Premiums				
	Members	PMPM Discounted Allowed Charges	Total Annual Health Care Costs (pmpm discounted allowed * members * 12)	Uncompensated Care as a % of Total Annual Commercial Health Care Costs
	3,814,898	\$237	\$10,845,211,440	2.9%

As a percent load on Hospitals and Physicians			
		Uncompensated Care Estimates	Estimated Total Statewide Revenues
Hospitals	66%	\$210,220,330	\$7,951,081,180
Clinics	20%	\$63,703,130	
Physicians	14%	\$44,592,191	\$7,999,416,020
<b>Totals</b>	100%	\$318,515,652	

Allocated among Federal, State, and Private Origins		
	Assumed Distribution	Uncompensated Care Estimates
Federal	51%	\$161,366,127
State	27%	\$86,764,702
Private	22%	\$70,384,823
<b>Totals</b>	100%	\$318,515,652

Sources: OIC, MEPS, Hadley and Holahan, DOH Hospital reports, ECO Northwest

Washington State Office of the Insurance Commissioner  
 Analysis of Uncompensated Care and Cost Shift  
 DRAFT Results for Task Force Retreat -- Additional Costs of Providing Coverage for the Uninsured

Baseline Estimates of Uncompensated Care					
	Members	PMPM Discounted Allowed Charges	Total Annual Health Care Costs (pmpm discounted allowed * members * 12)	% Direct/Explicit Payment	Direct/Explicit Payments
Commercial/Other	3,814,898	\$237	\$10,845,211,440	100%	\$10,845,211,440
Medicaid and BHP	842,777	\$284	\$2,872,184,016	100%	\$2,872,184,016
Medicare	736,000	\$395	\$3,488,640,000	100%	\$3,488,640,000
Uninsured	648,180	\$117	\$910,044,720	65%	\$591,529,068
Totals	6,041,855	\$250	\$18,116,080,176		\$17,797,564,524

Estimated amount of uncompensated care for uninsured... \$318,515,652  
 As a percent of Direct/Explicit Payments... 1.8%

Additional Costs of Coverage for the Uninsured					
	Members	PMPM Discounted Allowed Charges	Total Health Care Costs (pmpm discounted allowed * members)	Additional Health Care Cost Factor - Uninsured	Full Coverage Total Health Care Costs (pmpm discounted allowed * members)
Commercial/Other	3,814,898	\$237	\$10,845,211,440	100%	\$10,845,211,440
Medicaid and BHP	842,777	\$284	\$2,872,184,016	100%	\$2,872,184,016
Medicare	736,000	\$395	\$3,488,640,000	100%	\$3,488,640,000
Uninsured	648,180	\$117	\$910,044,720	168%	\$1,528,875,130
	6,041,855	\$250	\$18,116,080,176		\$18,734,910,585

Additional cost for increased use of services when uninsured obtain coverage.... \$618,830,410

Total Costs Assuming the Uninsured Are Covered	
Cost for Uninsured Paid by Current Sources (self, private and public sources)	\$591,529,068
Cost of uncompensated care for the uninsured (absorbed by the current systems)	\$318,515,652
Additional cost for increased use of services when the uninsured obtain coverage....	\$618,830,410
Total cost of health care when the uninsured obtain coverage	<b>\$1,528,875,130</b>

Sources: Hadley and Holahan

Washington State Office of the Insurance Commissioner  
Analysis of Uncompensated Care and Cost Shift  
DRAFT Results for Task Force Retreat -- Cost Shifting Among Market Segments

Baseline Cost Estimates			
	Members	PMPM Discounted Allowed Charges	Total Annual Health Care Costs (pmpm discounted allowed * members * 12)
Commercial/Other	3,814,898	\$237	\$10,845,211,440
Medicaid and BHP	842,777	\$284	\$2,872,184,016
Medicare	736,000	\$395	\$3,488,640,000
<b>Totals</b>	5,393,675	\$266	\$17,206,035,456

Cost Shifting: Hospital					
	Billed Charges	Allowed Charges	Average Payer	Overpay / Underpay \$	Overpay / Underpay %
Commercial/Other	\$7,541,169,171	\$4,453,934,686	\$4,122,119,214	\$331,815,472	108%
Medicaid and BHP	\$2,246,462,103	\$1,150,592,574	\$1,227,950,784	(\$77,358,210)	94%
Medicare	\$5,043,079,306	\$2,502,167,558	\$2,756,624,820	(\$254,457,262)	91%
<b>Totals</b>	\$14,830,710,580	\$8,106,694,818	\$8,106,694,818	\$0	100%

Cost Shifting: Professional						
	Imputed Distribution	Allowed Charges	Average RBRVS	Average Payer	Overpay / Underpay \$	Overpay / Underpay %
Commercial/Other	65%	\$5,199,620,413	\$44	\$4,567,530,396	\$632,090,017	114%
Medicaid and BHP	22%	\$1,759,871,524	\$29	\$2,345,554,071	(\$585,682,546)	75%
Medicare	13%	\$1,039,924,083	\$37	\$1,086,331,554	(\$46,407,471)	96%
<b>Totals</b>	100%	\$7,999,416,020	\$39	\$7,999,416,020	\$0	

Cost Shifting: Combined				
	Allowed Charges	Average Payer	Overpay / Underpay \$	Overpay / Underpay %
Commercial/Other	\$9,653,555,099	\$8,689,649,610	\$963,905,489	111%
Medicaid and BHP	\$2,910,464,098	\$3,573,504,855	(\$663,040,757)	81%
Medicare	\$3,542,091,641	\$3,842,956,373	(\$300,864,733)	92%
<b>Totals</b>	\$16,106,110,838	\$16,106,110,838	\$0	

Sources: OIC, MEPS, Hadley and Holahan, DOH Hospital reports, ECO Northwest